

- (32) **Provider:** Provider means telecommunications service provider.
- (33) **Ramsey Pricing:** The practice of pricing all products and services such that the sum of consumer and producer welfare is maximized, subject to relevant regulatory constraints.
- (34) **Replacement Cost:** The costs that the provider would incur if it were to construct its plant and facilities using the current, best technology at current prices. The physical positioning of the facilities would not change, however.
- (35) **Residual Pricing:** A service is residually priced if its price is set so that revenues from the service equal all costs not covered by revenues from all other services offered by the firm once their prices are set.
- (36) **Service-Specific Fixed Cost:** A fixed cost caused by the existence of a specific service within the array of services currently offered. It does not vary with changes in the number of units produced but would be eliminated if the specific service were deleted from the current array of services offered.
- (37) **Services:** Intrastate telecommunications products or services offered by providers.
- (38) **Shared Cost:** A cost incurred for facilities and resources used in common in the production of two or more services.
- (39) **Short-Run Costs:** The costs incurred by a firm operating in a planning horizon where many elements of the production process are fixed and cannot be readily varied, including the size and type of certain utilized facilities.
- (40) **Stand Alone Cost:** The total cost incurred by a firm to produce a given volume of a service or group of services as if it were the sole service or group of services produced by that firm.
- (41) **Sunk Cost:** A cost that has already been incurred and is considered irretrievable. Such a cost cannot be avoided, even by discontinuing production entirely.
- (42) **Total Cost:** The sum of all costs incurred by the firm to produce any given level of output; it includes both fixed and variable costs.
- (43) **Total Incremental Cost:** The change in total cost resulting from an increase or decrease in output. In mathematical terms, total incremental cost equals total cost assuming the increment is produced, minus total cost assuming the increment is not produced.
- (44) **Total Service Incremental Revenue:** The change in the firm's total revenues resulting from adding or deleting a service.
- (45) **Total Service Long Run Incremental Cost:** Total service long run incremental cost is equal to the firm's total cost of producing all of its services assuming the service (or group of services) in question is offered minus the firm's total cost of producing all of its services excluding the service (or group of services) in question.
- (a) The strict definition of total service long run incremental cost requires that it be calculated by first doing two total cost studies and then subtracting one from the other. On the other hand, an estimate of total service long run incremental cost can be made directly.
- (b) The strict definition of total service long run incremental cost incorporates a forward looking concept which should, therefore, include the costs that the firm would incur today if it were to install its network from scratch. On the other hand, an estimate of total service long run incremental cost can be generated by assuming that the geographic locations of routes and possible switching locations are the same as those available to the firm today and that the types of technological change in the future can be anticipated. In making this estimate, the assumptions behind it should be made explicit; in addition, the estimating procedure should reflect the time period in which the resulting prices are anticipated to be in effect.
- (c) Total service long run incremental cost includes both fixed and variable costs specific to the service (or group of services) in question.
- (d) The total service long run incremental cost for a group of services is at least equal to the sum of the total service long run incremental costs of the individual services within the group. If the total service long run incremental cost for the group is greater than this sum, the difference is equal to the shared costs attributable to the group of services and/or to some subset of that group. In other words, these shared costs are part of the total service long run incremental cost of the group but are not part of the total service long run incremental cost of any individual service within the group.
- (46) **Unbundling:** A situation in which the rate elements and tariff provisions for a service are disaggregated to the lowest level practicable to permit customers to buy the features and functions desired by them without having to purchase unneeded features and functions.
- (47) **Variable Cost:** A cost that changes (but not necessarily proportionately) either with the number of units produced of a given set of services or with the number of services provided.

RULE 3: SERVICE APPLICABILITY

Colorado statutes (§ 40-15-101 *et seq.*, C.R.S.) categorize telecommunications service regulation into three segments: Deregulated ("Part 4"), Emerging Competitive ("Part 3"), and Regulated Telecommunications Services ("Part 2"). The statute, Commission decisions, and Commission rules (see 4 CCR 723-24) have provided the categorization of specific telecommunications services into three regulatory schemes. The level of actual competition in a specific service is the primary determinant for the extent of regulation of that service under the statute.

(1) These rules have no applicability to telecommunications services deregulated under statute (Part 4 services, § 40-15-401, C.R.S.). Prices for deregulated services are assumed to be determined by competitive markets. Additional protection is provided by applicable Commission rules prohibiting cross-subsidization (See 4 CCR 723-27).

(2) Emerging competitive telecommunications services (Part 3 Services) will be treated under these rules differently dependent upon the amount of actual demonstrated competition for each service.

(a) Emerging competitive telecommunications services (Part 3 Services) for which the Commission has determined competition is sufficient to warrant relaxed regulatory treatment shall be covered under Rule 5 for Emerging Competitive Services Subject to Relaxed Regulatory Treatment, below.

(b) Emerging competitive telecommunications services (Part 3 Services) for which the Commission has not made a determination regarding the level of competition or has determined that competition is absent or negligible (*i.e.*, the provider has significant market power for the service(s)) shall be covered under Rule 4 for Fully Regulated Telecommunications Services below.

(3) Regulated telecommunications services (Part 2 Services) shall be covered under Rule 4 for Fully Regulated Telecommunications Services, below.

RULE 4: FULLY REGULATED TELECOMMUNICATIONS SERVICES**(1) Costing:**

(a) At the time of a service rate proposal, both total service long run incremental cost and fully distributed cost studies must be provided. Other cost studies may be provided if deemed relevant. Total service long run incremental cost studies will be used to establish price floors as described below in Rule 4 (2) (a). Fully distributed cost studies will be used as a component of the actual pricing process as described below in Rule 4 (2) (d).

(b) If a provider offers a new service which uses a part of the existing investment, a surrogate for a fully distributed cost study must be performed for the new service in order to allocate an appropriate portion of that existing investment to the new service. This is termed a surrogate study because most fully distributed cost studies are performed on existing products and services using historical information. This surrogate fully distributed cost study shall allocate the existing investment and expenses that the new service utilizes employing either actual historical or pro forma adjusted investments and expenses. The pro forma adjusted investments and expenses would be considered in cases where the provider desires to reflect a more current view of expenses and/or investments. This would occur in situations wherein the provider has obsolete investments or one-time expenses on the books of account that would be inappropriate to include in a cost study for a new service. The estimates of existing costs to be allocated to new services would reduce in total the allocations of these costs to existing services by the same amount.

(c) Cost studies must be performed either for all specific service offerings or for all functional components that make up the entirety of services offered. The provider shall notify the Commission in its documentation that it is using either service level or functional component level cost studies. If functional component level cost studies are used, the provider must also provide information sufficient to match functional components to services.

(d) The fully distributed cost studies must use the cost accounting standards defined in Rule 2 and the total service long run incremental cost studies must use the standards presented in the definition of that term in Rule 2 to properly include all costs identifiably related to a given service. Any deviation from these standards must be clearly stated and a justification provided. These deviations must be approved by the Commission.

(e) Cost studies must include, but are not limited to, the relevant costs for billing, marketing, advertising, and network costs in addition to any other relevant costs associated with the service.

(f) Cost studies for any service offerings that include, as underlying functionalities, any tariffed Part 2 services or fully regulated Part 3 services must impute the tariffed rates as a part of the costs of the services in question.

(g) Cost studies must be approved by the Commission.

(h) Individual cost studies for each service or functional component must not have been performed more than three years prior to their being filed.

(2) Pricing:

(a) The commission shall set the prices for all fully regulated telecommunications services. Prices for fully regulated telecommunications services shall be set to advance universal service at just and reasonable rates. The price for each service must be set so that the following conditions are satisfied:

(i) Total revenue from the given service is equal to or greater than its total service long run incremental cost.

(ii) Total revenue from any group of services in which the given service appears is equal to or greater than the total service long run incremental cost of the group of services.

(iii) In theory, total revenue for the given service (or any group of services in which the given service appears) should be equal to or less than the stand-alone cost for the service (or group of services). In practice, however, stand alone cost studies may be difficult and burdensome to execute so the Commission may use the fully distributed cost for the service (or group of services) plus some determined mark-up as a surrogate price ceiling. For a new service, the fully distributed cost study would be done as outlined above in Rule 4(1)(b).

As an example, consider the access loop. The access loop is not a separate service but rather is an input necessary for the provision of many telecommunications services. As such, costs associated with the access loop will not appear in the total service long run incremental cost of any single service requiring the access loop but will appear as part of the total service long run incremental cost of the entire group of services requiring the loop. Consequently, prices must be set so that the sum of the revenues from all services requiring the access loop covers not only the sum of the total service long run incremental costs for the individual services but also the shared cost of the loop. Finally, regarding the computation of stand alone costs, since each service in this group requires the access loop, the entire cost of the loop will appear in the stand alone cost for each of these services.

(b) The only exceptions to Rule 4(2)(a) will be when the Commission specifically has determined that, for reasons of public policy, the price for a fully regulated telecommunications service may be below the price floor or above the price ceiling established in Rule 4(2)(a). The public policy considerations used should be made explicit.

(c) When a fully regulated telecommunications service, with Commission approval, is priced below its respective price floor, the dollar amount below the price floor and the source from which that deficit is made up must be identified and specifically approved by the Commission.

(d) The price of a fully regulated telecommunications service, as set by the Commission, may include some portion of the overhead costs of the provider in order for the provider to recover its overall revenue requirement. The amount of these overhead costs to be recovered by each fully regulated telecommunications service must be specifically identified; these amounts represent the contributions of various services to the covering of overhead costs. In this pricing process the Commission will definitely consider fully distributed cost studies. Beyond that, other factors will be considered by the Commission on a case-by-case basis and may include, but are not limited to, the following:

- (i) Other cost studies;
- (ii) Market studies to determine market structure, extent of competition, etc.;
- (iii) Elasticity studies of demand and supply;
- (iv) Focus group results;
- (v) Survey results;
- (vi) Social obligations, e.g., promotion of universal service and absence of rate shock;
- (vii) Rate continuity; and
- (viii) Statutory requirements.

Which of these factors are considered will depend upon the complexity of the issues and the magnitude of the net revenue involved.

(e) Any changes in the rates for fully regulated telecommunications services will be made through the traditional tariff review process prior to implementation. This includes, but is not limited to, revenue neutral rate changes of any fully regulated telecommunications services.

(f) Residual pricing may not be used for any services.

(g) Nothing in this rule shall be construed to limit the Commission's powers to do all things necessary in fulfilling its statutory duties.

RULE 5: EMERGING COMPETITIVE SERVICES SUBJECT TO RELAXED REGULATORY TREATMENT

(1) Costing:

The cost studies needed in Rule 5 must conform to the specifications outlined in Rule 4(1).

(2) Pricing:

- (a) The price floor for emerging competitive services subject to relaxed regulatory treatment shall be determined as outlined in Rule 4(2)(a). The price floor shall also include imputation, as defined in Rule 2.
- (b) The price ceiling for emerging competitive services subject to relaxed regulatory treatment shall be determined as outlined in Rule 4(2)(a)(iii) unless the Commission explicitly adopts an alternative such as the current price.
- (c) A provider may request that the Commission review the existing price floor and/or price ceiling. Such request shall be made by filing a formal request with the Commission. The request shall provide support in the form of the appropriate revised cost studies, with the inclusion of appropriate imputation.
- (d) The exact form of regulation of an emerging competitive service subject to relaxed regulatory treatment will be specified in the Commission order(s) granting the relaxed regulatory treatment pursuant to the Commission's Rules Regulating Emerging Competitive Telecommunications Service (4 CCR 723-24).

RULE 6: COST STUDIES TO BE PROVIDED TO COMMISSION**(1) Contents:**

- (a) At the time of a rate proposal, the cost study results submitted by a provider must specify the type of costs being estimated, using the definitions in Rule 2 of these rules.
- (b) For practical reasons, all cost studies require a degree of simplification and approximation, and no study can be perfectly accurate. However, the provider's studies must be in accordance with the definition of the type of costs being estimated, as it appears in Rule 2 of these rules.
- (c) The provider must explicitly identify all instances in which its estimate deviates from the specific definitions of the cost type in Rule 2 of these rules. A written explanation must be provided which justifies each such deviation on the basis of data limitations, methodological simplicity, or other practical considerations. The explanation must be sufficiently clear and detailed to allow interested parties to judge whether or not the deviation is justified and to understand its potential significance. The Commission has the ultimate power either to grant or deny each specific deviation.
- (d) The provider must explicitly identify which costs (and which elements of the production process) it considers fixed within the specified planning horizon and which costs it considers variable.
- (e) The provider must explicitly identify any included sunk costs and separately quantify the reduction in cost estimates that would result from the exclusion of these sunk costs.
- (f) The provider must explicitly identify all shared and overhead costs and specify those included in the cost study and those excluded. The provider must separately quantify the reduction in the cost estimates that would result if shared and overhead costs were excluded.
- (g) Nothing in this rule shall be construed to limit the Commission's powers to do all things necessary in fulfilling its statutory duties.

(2) Cost Estimate Requirements

- (a) In any incremental cost estimate submitted, the increment of output analyzed must be relevant to the issues under consideration.
- (b) In any incremental cost estimate submitted, the estimated change in costs must approximate the cost difference between a "business as usual" scenario accommodating existing and future demand and a scenario assuming output levels that are higher (lower) by the relevant increment (decrement).
- (c) A cost estimate for a service that utilizes or displaces another service offered by the provider must reflect the revenue which would have been derived from the other service. For example, the cost estimate for message toll service must reflect the access revenues that are foregone when the customer purchases toll service from the provider submitting the cost studies instead of from a competitor.

(3) Required Workpapers

- (a) When a provider submits a cost estimate to the Commission, it must simultaneously file a complete set of supporting workpapers and source documents.
- (b) The workpapers must clearly and logically present all data used in developing the estimate and provide a narrative explanation of all formulas or algorithms applied to these data. These workpapers must allow others to replicate the methodology and calculate equivalent or alternative results using equivalent or alternative assumptions.
- (c) The workpapers must clearly set forth all significant assumptions and identify all sources

(d) The workpapers must be organized so that a person unfamiliar with the study will be able to work from the initial investment, expense, and demand data to the final cost estimate. Every number used in developing the estimate must be clearly identified in the workpapers as to what it represents. Further, the source should be clearly identifiable and readily available, if not included with the workpapers.

(e) Any input expressed as a "dollars per minute," "dollars per foot," "dollars per loop," "dollars per port," and the like must be traceable back to the original source documents containing the number of dollars, minutes, feet, loops, ports, and the like from which these figures were calculated.

(f) To the extent practicable, all data and workpapers must be provided in machine readable form on diskettes using standard spreadsheet or database software formats such as Lotus 1-2-3. Each diskette must contain a "read me" or similar file that defines the contents of each file on the diskette and contains an explanation of the definitions, formulas, equations, and data provided on the diskette.

(g) An index or detailed table of contents of the workpapers and source documents must be provided. In addition, to the extent practicable, a cross index should be included that will allow other parties to track key numbers through the various source documents, workpapers, and exhibits.

RULE 7: EXCEPTIONS AND WAIVERS

(1) Any local exchange provider having fewer than 50,000 local access lines shall be in compliance with the intent of these rules by providing the Commission with its required filing information under the Colorado Commission's Cost Allocation Rules for Telecommunications Service and Telephone Utilities Providers (see 4 CCR 723-27).

(2) If this Commission has previously granted a provider, by order, a specific form of costing and pricing for a specific service, such grant shall not be changed by this rule.

(3) The Commission may permit variance from these rules for good cause shown if it finds compliance to be impossible, impracticable, or unreasonable, if not otherwise contrary to law.

RESALE

RULE 1. BASIS, PURPOSE, AND STATUTORY AUTHORITY. The basis and purpose of these rules are to establish regulations regarding the resale of telecommunications exchange services. These rules ensure the non-discriminatory availability of services for resale in a manner that allows for resellers to provide service to their end users in such a way that enhances competition.

The rules are clear and simple and can be understood by persons expected to comply with them. They do not conflict with any other provision of law and there are no duplicating or overlapping rules.

These rules are issued pursuant to Sections 40-2-108, 40-15-108, 40-15-502 (5) (b), and 40-15-503 (2) (b) (IV) C.R.S.

RULE 2. APPLICABILITY. These rules are applicable to all certified telecommunications providers that provide telecommunications exchange service in the state of Colorado.

RULE 3. DEFINITIONS. The meaning of terms used within these rules shall be consistent with their general usage in the telecommunications industry unless specifically defined by Colorado statute or this rule. As used in these rules, unless the context indicates otherwise, the following definitions shall apply:

3.1 Facilities-based telecommunications provider means a certified provider of telecommunications exchange service who owns facilities and offers telecommunications services to resellers for resale to end users.

3.2 Operational support means mechanisms to facilitate the resale of telecommunications services including, but not limited to, the taking of service and repair orders, and the exchange of billing data and end user account data in a manner consistent with Federal and Colorado law, through the mutual exchange of information between facilities-based telecommunications providers and resellers. This information may be exchanged in a variety of ways which may include, but are not limited to, electronic interfaces, technical interfaces, or access to databases.

3.3 Reseller means a certified provider of telecommunications services who purchases tariffed telecommunications services from a facilities-based telecommunications provider and then offers the services, either on a stand-alone basis or in combination with other services, to an end user.

3.4 Telecommunications means the transmission, between or among points specified by the user, of information of the user's choosing, without change in the form or content of the information as sent and received.

3.5 Telecommunications exchange service means service within a telephone exchange, or within a connected system of telephone exchanges within the same exchange area operated to furnish to subscribers intercommunicating service of the character ordinarily furnished by a single exchange, and which is covered by the exchange service charge.

3.6 Telecommunications service means the offering of telecommunications for a fee directly to the public, or to such classes of users as to be effectively available directly to the public, regardless of the facilities used.

RULE 4. REGULATION OF FACILITIES-BASED TELECOMMUNICATIONS PROVIDERS.

4.1 To encourage the development of balanced competition, all facilities-based telecommunications providers shall not prohibit nor impose unreasonable or discriminatory conditions or limitations on, the resale of their regulated telecommunications services.

4.2 Subject to Commission approval, a facilities-based telecommunications provider shall charge resellers a price equal to the retail price the provider charges end users adjusted for the avoidable costs.

4.2.1 Avoidable costs are costs that are no longer incurred or costs that are lower when a service is provided to a reseller as opposed to when the service is provided to an end user, including marketing, billing, collection, and other costs that will be avoided by the facilities-based telecommunications provider.

4.2.2 For purposes of Rule 4.2, the price charged to resellers shall also reflect any package discounts the facilities-based telecommunications provider offers to its end users for a combination of products if the resold combination of products purchased is identical.

4.3 The facilities-based telecommunications provider shall not be required to modify its local calling areas established by the Commission to accommodate a reseller.

4.4 The facilities-based telecommunications provider shall receive any applicable support, such as portions of the switched access charges and any Colorado High Cost Fund payments for services purchased by a reseller.

4.5 Operational Support

4.5.1 Each facilities-based telecommunications provider shall offer, in a non-discriminatory manner pursuant to contract or tariff, the necessary operational support to enable each reseller, certified within the facilities-based telecommunications provider's service territory, the opportunity to provide the reseller's end users quality of service as is available to the facilities-based telecommunications provider's end users, consistent with 4 CCR 723-2.

4.5.2 Such contracts shall be approved by the Commission and available for review pursuant to Commission order.

RULE 5. SERVICE QUALITY.

5.1 For purposes of compliance with the Commission's Rules Regulating Telecommunications Service Providers and Telephone Utilities (4 CCR 723-2), the reseller is a customer of the facilities-based telecommunications provider.

5.2 All providers of local exchange services, including resellers, shall comply with all Commission rules applicable to local exchange service providers.

5.3 The provider of local exchange services that directly interfaces with the end user is obligated to serve that end user according to the Commission's rules.

5.4 Services offered for resale by the facilities-based telecommunications provider must be provisioned at the same standard of quality as the services offered to its end users.

RULE 6. CONFIDENTIALITY.

6.1 Each facilities-based telecommunications provider shall establish procedures to ensure that its personnel, including but not limited to those personnel who are involved in the provision of resold service and operational support to resellers, (1) hold as confidential all information about the reseller and its end users obtained solely from providing services to a reseller and (2) not utilize that information to compete against the reseller.

6.2 Each facilities-based telecommunications provider shall establish procedures to ensure that specific or summarized information about a reseller or its end users obtained solely from providing services to the reseller is not used by the provider to (1) develop marketing strategy to compete with the reseller or (2) develop, market or sell services that competes with the reseller.

6.3 Each facilities-based telecommunications provider and each reseller of its services shall develop mutually agreeable and reciprocal arrangements for the protection of their respective customer proprietary network information.

RULE 7. TARIFF FILINGS.

7.1 Except those providers addressed below, within 30 days of the effective date of these rules or within 30 days of the date the facilities-based telecommunications provider receives operating authority, each facilities-based telecommunications provider shall file tariffs with the Commission implementing the resale of services according to these rules.

7.2 Facilities-based telecommunications providers which serve only rural exchanges of 10,000 or fewer access lines, shall file tariffs with the Commission implementing the resale of requested services according to these rules within 30 days after a bona fide request by a reseller that has been granted operating authority within the facilities-based telecommunications provider's service territory.

RULE 8. REGULATION OF RESELLERS.

8.1 All providers of residential basic local exchange services shall price such services to comply with statutory provisions of 40-15-502(3).

8.2 Resellers that serve greater than 5 percent of the nation's presubscribed access lines shall not be permitted to jointly market resold exchange services along with interLATA long distance service until such time as U S WEST is authorized to provide interLATA services in Colorado, or until February 9, 1999, whichever is earlier.

8.3 A reseller that obtains at wholesale a telecommunications service that is available at retail only to a category of subscribers is prohibited from offering such service to a different category of subscribers.

8.4 If the reseller is reselling basic local exchange service to a particular end user, the end user's bill must separately identify the Commission-approved price for basic local exchange service.

RULE 9. DISPUTE RESOLUTION. The Commission shall resolve disputes arising out of any provision of this Rule relating to the resale of telecommunications services.

RULE 10. VARIANCE AND WAIVER. The Commission may permit a variance or waiver from these rules, if not contrary to law, for good cause shown and if it finds that compliance is impossible, impracticable or unreasonable.

RULES ON LOCAL NUMBER PORTABILITY AND ADMINISTRATION

RULE 1 BASIS, PURPOSE AND STATUTORY AUTHORITY. The basis and purpose for these rules are to provide regulations concerning local number portability so that end-users can choose between authorized providers of basic local exchange services without changing their telephone number. These rules govern the creation of regulatory and technical mechanisms to establish local number portability and provide for the administration of telephone numbering plans, telephone number assignment, and a number portability database network architecture.

If end-users are unable to retain their telephone numbers when changing telecommunications providers, these end-users may be deterred from responding to service and price differences among competing providers because of the expense and inconvenience involved. Therefore, local number portability promotes competition between telecommunications service providers by eliminating or mitigating a barrier to entry.

The rules are clear and simple and can be understood by persons expected to comply with them. They do not conflict with any other provision of law and there are no duplicating or overlapping rules.

These rules are issued pursuant to Sections 40-2-108 and 40-15-503(2)(b)(II) C.R.S.

RULE 2 APPLICABILITY These rules shall apply to all providers of basic local exchange service.

RULE 3 DEFINITIONS The meaning of terms used in these rules shall be consistent with their general usage in the telecommunications industry unless specifically by Colorado statute or rule. The following terms used in these rules are below:

Service provider portability refers to the ability of end users to retain the same telephone numbers (that is, the same NPA and NXX codes and the same line numbers) when changing from one service provider to another.

Service portability refers to the ability of end users to retain the same telephone numbers as they change from one service to another (for example, from POTS ("Plain Old Telephone Service") to ISDN ("Integrated Services Digital Network")).

Location portability refers to the ability of end users to retain the same telephone numbers when moving from one location to another, either within the area served by the same central office or between areas served by different central offices.

RULE 4 LOCAL NUMBER PORTABILITY If a end-user changes basic local exchange telecommunications service providers and remains within the former provider's same wire center serving area, the end-user shall have the option to retain his telephone number or numbers.

RULE 5 LOCAL NUMBER PORTABILITY DATABASE

5.1 Local number portability, as described in Rule 4, can be attained best by means of a database network architecture. Therefore, in order to enable full end-user choice and to extend the benefits of competition to the widest possible audience of end-users, it is essential that a network database solution to local number portability be implemented as quickly as practicable. The optimal database solution may enable service provider, service, and location local number portability.

5.2 The Local Number Portability Task Force, established pursuant to Commission Decision No. C95-785, shall make one or more recommendations to the Commission, as quickly as practicable, as to the optimal database network architecture of local number portability, as described in Rule 4.

RULE 6 INTERIM LOCAL NUMBER PORTABILITY

6.1 After the effective date of these rules, Rules 6.2 to 6.5 shall apply until a database network architecture has been implemented pursuant to Rule 5.

6.2 On the first day after the effective date of these rules, each local exchange provider, with the exception of those addressed in Rule 6.3 and 6.4 below, must file tariffs with the Commission providing for interim local number portability, as described in Rule 4, through the use of Remote Call Forwarding (RCF) and Direct Inward Dialing (DID).

6.3 For small local exchange providers as described in Section 40-15-503(2)(d) C.R.S., within thirty days after a new, facility-based, local exchange provider obtains operating authority within an incumbent local exchange provider's service territory, the incumbent local exchange provider must file tariffs with the Commission providing for interim local number portability, as described in Rule 4, through the use of RCF and, where available, DID.

6.4 Facility-based local exchange providers certified after the effective date of this rule shall file tariffs with the Commission providing for interim local number portability, as described in Rule 4, through the use of RCF and DID within thirty days of certification.

6.5 If a end-user switches providers and is eligible to have his number ported, the local exchange provider which provided a end-user's original NXX-XXXX shall port calls that are made to that end-user's number to his new local exchange provider regardless of the number of times the end-user has switched providers.

RULE 7 ADMINISTRATION OF TELEPHONE NUMBERING PLANS, TELEPHONE NUMBER ASSIGNMENT, AND A NUMBER PORTABILITY DATABASE NETWORK ARCHITECTURE.

7.1 The Local Number Portability Task Force, established pursuant to Commission Decision No. C95-784 shall make one or more recommendations to the Commission, as quickly as practicable, as to a neutral, third-party administrator of telephone numbering plans, telephone number assignment, and a number portability database network architecture. Telephone numbering plans, telephone number assignment, and a number portability database network architecture shall be administered in a competitively neutral, nondiscriminatory manner. When making this designation, the Commission shall consider the recommendations and proposals of the Local Number Portability Task Force, established pursuant to Commission Decision No. C95-785.

7.2 Until such time as the Commission shall designate an administrator, the current numbering plan administrator shall continue to directly assign numbers and otherwise make available numbering resources to all other local exchange providers in the same manner and upon the same terms and conditions as such assignment and other numbering resources are made available to itself.

7.3 Local exchange providers may not directly charge each other for changes to switch routing software necessitated by the creation, assignment, or reassignment of central NXX office codes.

7.4 The costs associated with the establishment of the neutral, third-party administrator of telephone numbering plans, telephone number assignment, and a number portability database network architecture shall be recovered from telecommunications providers in a manner determined by the Commission.

7.5 Once the administrator of telephone numbering plans and telephone number assignment is designated, the costs of maintaining and administering these services shall be recovered from telecommunications service providers in a manner determined by the Commission.

7.6 Once a number portability database network architecture is established, the costs of maintaining and administering this service shall be recovered from telecommunications service providers that use the database network architecture in a manner determined by the Commission.

RULE 8 WAIVER The Commission may permit variance from these rules, if not contrary to law, for good cause shown if it finds that compliance is impossible, impracticable or unreasonable.

**COLORADO LOCAL NUMBERING PORTABILITY TASK FORCE
REPORT TO THE COMMISSION AND TO THE TELECOMMUNICATIONS WORKING GROUP
MARCH 1996**

I. Introduction and Background

Telecommunications legislation (House Bill 95-1335) passed by the Colorado General Assembly in May, 1995 established the Telecommunications Working Group ("Working Group") to draft a proposed set of rules to implement the new law. The Working Group established subgroups, each of which was charged with the resolution of specific issues within the legislation. One subgroup addressed the local number portability issue as required in Colorado statute (§ 401-5-503 (2)(b)(II), C.R.S.). Local number portability ("LNP"), as it has been interpreted, will allow customers to retain their same telephone number when changing local exchange service providers within the same wire center serving area.

The Working Group made a formal request to the Colorado Public Utilities Commission to appoint a task force on telephone number portability. Portions of the motion read as follows:

"That the working group recommend that the Public Utilities Commission establish a task force to examine the technical issues associated with a number portability database solution. The task force shall be appointed by the Commission and shall continue in effect and report as directed by the Commission. The task force will be expected to:

- (a) Monitor and evaluate number portability developments at the national level,
- (b) Monitor and evaluate results from the various number portability trials across the country, and
- (c) Adopt a matrix of evaluation criteria for database number portability options.

The task force shall report to the Commission periodically but no later than July 1, 1996. The task force is a technical group.

The Working Group will retain the responsibility to recommend to the Public Utilities Commission rules to implement a feasible number portability solution to be effective on July 1, 1996.

The Commission accepted the motion from the Working Group and opened Docket No. 95M-392T for the purpose of correspondence relating to this task force. The Commission designated membership in the task force should be open to all; however, it required membership by at least one representative from each of the following: a large local exchange telephone company, an interexchange carrier, a small telephone company, a cable television company, the Colorado Office of Consumer Counsel. The Commission also designated the Staff of the Commission as the facilitator. The Commission encouraged the task force to reach consensus on all issues; however, it designated majority rule with each member receiving one vote.

In its Decision No. C95-785 dated September 7, 1995, the Commission ordered the formation of the task force. See Appendix A for a copy of the Commission decision. It required the task force to take detailed minutes of all meetings and to provide copies of the minutes to the Commission and working group members. It also adopted the recommendations quoted above from the Working Group. It requires that the Task Force prepare a report to the Working Group no later than July 1, 1996. This report should present options for a database solution, major issues and positions of task force members, and a proposed schedule for completing its task. This report is a presentation of those specific items.

II. Task Force History

The Commission in its Decision No. C95-1051 [Footnote - See Appendix B for a copy of the Commission decision.] dated October 20, 1995 designated the following membership of the Colorado LNP Task Force:

Entity	Primary Member	Alternate Member(s)
PUC Staff Facilitator	Bruce Armstrong	
Office of Consumer Counsel	Paul McDaniel	Thorvald Nelson
U S WEST	Cathy Handley	
AT&T	Karen Hilton	
Teleport	Ed Gould	
Colorado Independent Telephone Association	Richard Sellers	
MCI	Robert (Woody) Traylor	
TCI	Peter Stapp	Tim Sandos Luisa Murcia
9-1-1 Task Force	Phil Davey	

We held task force meetings on November 20, 1995, January 8, 1996, January 29, 1996, January 30, 1996, February 12, 1996, March 4, 1996, and March 5, 1996. Minutes were published and approved by the Task Force for all meetings. Copies were posted to the Commission's electronic bulletin board and paper copies provided to all members of the Task Force and the Commissioners.

Since many of the participants were also participants of various industry meetings in other jurisdictions, we were able to ascend the learning curve very quickly. Other states had progressed to such a point that made our work easier by providing a substantial amount of experience from trials in those states available to the Task Force. The states of Georgia, Illinois, California, Washington, Maryland, and New York each had information necessary for our evaluation of LNP database solutions.

In our first meeting on November 20, 1995, we were given a basic introduction to LNP proposals and status of various state and federal experiences. The second meeting on January 8 provided a substantive background on LNP trials in other states, the details of each type of proposal, and evaluation matrices in other states. In that meeting, we also discussed the issue of cost recovery for internal company investments and expenses for the implementation of LNP.

The third meeting held on January 29-30 was highly productive. We discussed the following issues:

1 - The possibilities of implementation dates for both the LRN [Footnote - Location Routing Number - This is the LNP proposal presented by AT&T. Details of this proposed plan are available in the Commission's library. A copy of a basic schematic diagram of the LRN architecture is attached as Appendix C. A videotape made during discussions with the California PUC is also available upon request.] and CPC [Footnote - Carrier Portability Code - This is the LNP proposal presented by MCI. Details of this proposed plan are available in the Commission's library. A videotape made during discussions with the California PUC is also available.] solutions.

- 2 - Tentative acceptance of the LRN cost model
- 3 - Monitoring of LRN and CPC availability
- 4 - U S WEST implementation capability
- 5 - Deliverables to the Working Group
- 6 - Structure of Consortium to oversee Service Management System ("SMS") provider
- 7 - Discussion of the Illinois Request for Proposals ("RFP") for an SMS provider

The fourth meeting held on February 12 was devoted to the following issues:

- 1 - Distribution and discussion of the Illinois RFP
- 2 - Discussion of the effects of Senate Bill 652 (Telecommunications Act of 1996) on Colorado LNP efforts
- 3 - Discussion of legal subgroup
- 4 - Discussion on the implementation of additional subgroups (rating and billing, cost recovery, operations/implementation, operator services, SMS administration)
- 5 - Discussion of cost categorization for the SMS

After the fourth meeting of the Task Force, there was an initial meeting of the legal subgroup. Representatives from most parties represented on the Task Force were represented by legal counsel. This meeting was established by the Task Force to make recommendations and, if necessary, to perform the necessary work to implement an organization [Footnote - In our discussions, this organization was referred to a limited liability partnership ("LLP") or a limited liability corporation ("LLC"). Although nothing has been firmly decided, the legal subgroup is investigating the possibilities. Appendix D shows possible relationships between the various entities (control, funds flow, and LNP data flow); however, the designation as an LLP or LLC is simply a possibility at this time.] to perform the legal oversight function to the SMS provider. The proposed tentative relationships between the entities are shown in diagrams in Appendix D.

The fifth meeting of the Task Force was held on March 4-5.

The major subjects covered at that meeting were:

- 1 - Discussions and finalization of Colorado RFP
- 2 - Report on the progress of the legal subcommittee
- 3 - Discussion on other subcommittees

The sixth meeting of the Task Force was held on March 18-19. This meeting accomplished the following:

- 1 - Finalization of this report to the Working Group
- 2 - Finalization of the RFP
- 3 - Discussion on the legal entity

III. Specific Recommendations

In our meetings, the Task Force developed a series of deliverables that it felt were necessary to move the process along. Each of the following enumerated items is one of those deliverables, as agreed to by the Task Force membership. Following each item is a brief discussion of each item.

1. The Task Force requests that the Working Group to submit a recommendation to the Commission that a proceeding be opened by the Commission to adopt the Location Routing Number ("LRN") call model as the long-term solution for local number portability. This recommendation will be accompanied by a statement from the Task Force agreeing to this recommendation, as well as a copy of the Georgia LNP Framework that has been adopted by this Task Force as representative of the selection of LRN [Footnote - The Georgia LNP Framework is contained in Appendix E.]. The Task Force has agreed to recommend that the Commission enter an order to approve the LRN model as the appropriate long term cost model for LNP in Colorado. The Task Force has only had two cost models formally presented to it (LRN and CPC). As a result of the extensive evaluation of call models made in other states (New York, Illinois, Georgia, Washington, Maryland, and California), the Task Force has been able to use these evaluations in Colorado. We have examined the evaluation matrices produced by other states and the subsequent ranking of call models. In every relevant case, the LRN model rates higher than other models. The Task Force has chosen to adopt the evaluation framework that was produced by the Georgia LNP evaluation (See attached Appendix D). In this framework, the LRN model scored highest. At this time, one may conclude that LRN will likely become the national standard and that the Federal Communications Commission will also adopt LRN as its cost model for LNP in its order regarding Number Portability. [Footnote - The FCC currently is scheduled to produce an order on LNP in May, 1996.] Because of the extensive amount of work necessary for switch vendors to prepare for the proposed second quarter, 1997 roll-out of LRN, it is beneficial for the Commission to enter an order designating LRN as the database solution for LNP in Colorado as soon as possible.
2. A statement from the Task Force that it will retain vigilance over the development of LRN software of switch vendors in order to make any recommended changes in the strategy. By at least 3Q 1996, the Task Force should be able to make a decision regarding the viability of the 2Q 1997 projected date for LRN availability. At that time, the Task Force will re-evaluate the timelines and make any recommendations as deemed appropriate, including use of other interim alternatives, such as Carrier Portability Code ("CPC") or RCF/DID solutions.

The Task Force has discussed the probabilities of LRN being available by the end of the second quarter of 1997. First, Colorado's commitment to LRN as its choice for call model will provide additional incentives for switch manufacturers to complete the upgrades as soon as possible. As more and more states commit to the LRN model, and the FCC makes a similar determination, it becomes more realistic to expect a solid due date for the implementation of the LRN model. In the alternative, the Task Force is going to monitor the situation so that, if necessary, alternative plans may be considered. We plan to use third quarter, 1996 as a benchmark date to determine if alternative solutions need to be considered. At this time, our only alternative solutions are the MCI-proposed CPC solution and the less-than-adequate RCF and DID solutions.

3. Supply a proposed implementation plan, including possible switch deployment schedules. [Footnote - The provision of deployment schedules by the new entrants is still under discussion. Although the intent is to aggregate information, certain task force members believe that the dissemination of this information might reveal corporate marketing plans that are not solidified at this point to other competitors. The individual members agreed that they would attempt to provide a list of the first 80 switches to be implemented (in groups of 20 each). Staff and OCC would also create their own lists to mask the aggregate results from the other providers. This would all be done to provide confidentiality to each individual company's marketing plans, but would move the process along.] Also, with this implementation plan, the Task Force will provide a categorization of costs associated with the deployment of LNP, e.g., software deployment costs, Advanced Intelligent Network ("AIN") deployment costs, Service Management System ("SMS") costs, and other systems that may be affected. See attached Figure 1 for a preliminary categorization of costs

The Task Force is evaluating the potential switch deployment possibilities using a Task Force-produced model of implementation schedules. Each member was asked to provide a list of locations for potential switch deployment (i.e., choose the 80 switches in four groups of 20) to estimate the costs of deployment. These lists were masked with estimates made by the Commission Staff and OCC to provide US WEST with a realistic roll-out schedule (without providing the specific marketing plans of any one competitor). U S WEST has estimated that it can upgrade approximately 20-30 central offices per month in its entire region. With this expectation region-wide, U S WEST estimates only three offices per month could be upgraded in Colorado. With the dynamics of the situation, it is a given that this limited implementation capability will be the subject of substantial debate in the future.

4. A statement from the Task Force that all individual carriers/competitors will propose methods of cost recovery in individual filings before the Commission. This may include a paragraph or so from each individual party proposing a method of cost recovery as a "heads-up" on company positions to the Commission for future filings. Each Task Force Member was asked to present prepared a statement for cost recovery proposals. Two paragraphs were asked of each member: (1) a paragraph stating the company's position with regard to cost recovery of the up-front infrastructure costs (switch upgrades, data links, internal operational support systems) and (2) a paragraph stating the company's position with regard to the cost recovery of the LNP database administrator (both initial costs and ongoing costs). These statements are attached as Appendix F to this report.

5. A recommendation that a proceeding be opened before the Commission to adopt a Request for Proposals ("RFP") for an SMS administrator and SMS. This RFP will be a work product of the Task Force and presented to the Commission prior to its release to the public.

The Task Force has worked to develop a Request for Proposals to select an administrator for the LNP database. This RFP was developed using the Illinois RFP as a model. The Task Force has produced a proposed RFP that is attached as Appendix G to this report and recommends that the Commission approve the RFP for distribution to potential vendors.

6. *A recommendation from the Task Force that the Commission open a proceeding to determine the recovery of the implementation (up-front) and on-going costs of the SMS. This will deal with a proposal for a "competitor interface" to provide a competitively neutral treatment between competitors usage of the SMS. Parties have suggested a framework wherein a corporate entity would be authorized by the Commission and would consist totally of users (and eventually certificated providers of local exchange service) of the SMS. This corporate entity would control the operations of the SMS and would be responsible for approving the contract for the SMS. The Commission would still regulate the providers and would be responsible for hearing any disputes among the providers regarding the SMS. This structure would provide for a competitive bidding process for the provision of the SMS and thereby maintain competitive neutrality. Additional details need to be worked out regarding this proposal prior to presentation to the Commission. The Task Force is proceeding with a legal subgroup to work out the details of this entity.*

The Task Force has formed a legal subgroup that has addressed the issues of forming a legal entity that will have oversight of the SMS provider and will collect and distribute funding for the SMS provider. The details of this entity are in the process of being worked out. The Task Force recommends that the Commission establish a docket for the purpose of determining the appropriate method of cost recovery for the SMS (for both initial implementation and ongoing costs). Since each of the providers using the SMS will pay for its operation in some manner, it is appropriate that the Commission use any recommendations developed from this Task Force to open a rulemaking docket for the purpose of establishing the method(s) of cost recovery for the SMS provider. [If we have a recommendation at the time of the report, we will include it.]

7. *The Task Force also recommends that the Commission consider within this process a specific treatment for small independent companies and other rural exchanges. At this time, the Task Force members who are considered new entrants are not able to commit to any expansion into these small exchanges. The Commission needs to consider adopting a modified timeline for such small exchanges. The rationale for this is the low probability of competitive entry by facilities-based providers and the possible high costs of hardware and software upgrades required for these small exchanges to accommodate LNP.*

In light of the treatment of all independent companies in Colorado by the federal legislation and state legislation, it is incumbent upon the Commission to devise implementation requirements that consider the small telephone companies. In the case of many of the small companies, a request to provide LNP in their territory might require substantial investments of time and capital. Some might even require complete switch replacements. In its consideration of implementation schedules, the Commission should be mindful of the actual intents of the new entrants and their plans to provide facilities-based local exchange telecommunications services in rural areas.

IV. Resolution and Conclusion

The Task Force submits this report to the Working Group. We request that the Working Group:

1. Permit the Task Force to submit this Report to the Commission.
2. Recommend that the Commission adopt LRN as the long term solution for local number portability.
3. Recommend that the Commission consider the recommendations of the Task Force for the opening of a docket of dockets for purposes expressed in the Report.
4. Expressly request that the Commission order further communications between the Task Force and the Commission to be made without employing the Working Group as intermediary.

Respectfully submitted,

Date _____

Bruce H. Armstrong - Facilitator - For the Task Force

Figure 1 COST CATEGORIES

1) Switch

- Replacement (D*)
- Upgrade (D)
- Real Time / Memory (D,V)

2) Signaling System

- SCP (D,V)
- STP (V)
- Links (V)
- Protocols (D)

3) Interoffice Trunking (V)

4) Operator Systems - Switch (D)

5) Operational Support Systems

- Billing (D,V)
- Provisioning (D)
- Maintenance (D)
- Repair (D)
- Customer Care (D)

6) SMS

- Database (D)
- Links (D)

Note: No impact is expected for 911 PSAPs ; however, 911 tandems will be affected.

* D signifies development, i.e., new requirements.

V signifies volume, i.e., costs incurred because of possible increases in volume.

PROPOSED COLORADO HIGH COST FUND RULES - MARCH 1, 1996

RULE 1. BASIS, PURPOSE AND STATUTORY AUTHORITY.

The basis and purpose of these rules are to create a support mechanism, the Colorado High Cost Fund ("CHCF"), to ensure universal service. The CHCF should be equitable, competitively neutral, and non-discriminatory in its funding, distribution, and administration. No competitor should gain a competitive advantage from the support obtained from this fund.

These rules are clear and simple and can be understood by persons expected to comply with them. They do not conflict with any other provision of law. There are no duplicating or overlapping rules.

These rules are issued pursuant to §§ 40-2-108, 40-15-208, 40-15-502(5), and 40-15-502(6), C.R.S..

RULE 2. APPLICABILITY. These rules are applicable to all telecommunications service providers in Colorado.

RULE 3. DEFINITIONS. The meaning of terms used within these rules shall be consistent with their general usage in the telecommunications industry unless specifically defined by Colorado statute or this rule. As used in these rules, unless the context indicates otherwise, the following definitions shall apply:

3.1 Basic local exchange service means such services as are defined in 4 CCR 723-2, Rule 17.1, plus access to 911 service and such other elements or criteria as may be established pursuant to statute, Commission rule, or Commission order.

3.2 Benchmark cost model means a model which produces a benchmark cost range for a defined set of basic telephone services assuming efficient engineering and design criteria and deployment of current state-of-the-art loop and switching technology using the current national local exchange network topology.

3.3 Small LEC means a local exchange provider who was certified before the effective date of these rules and who offers service only to rural exchanges with ten thousand or fewer access lines.

3.4 Universal service means the goal that basic local exchange service be available and affordable to all citizens of the State of Colorado.

RULE 4. TRANSITION.

4.1 On July 1, 1997, the CHCF mechanism established in Part I shall take effect.

4.2 The CHCF mechanism established in Part II shall remain in effect until July 1, 1997.

4.3 Provider's eligible to draw from the Colorado High Cost Fund established in Part II as of July 1, 1996, may continue to draw support in accordance with that rule until (a) July 1, 2001; (b) another eligible provider receives operating authority within the provider's service territory; or (c) the provider elects into the mechanism established pursuant to Part I; which ever occurs first.

4.4 After July 1, 1997, all payments into the CHCF and the administration of the fund, regardless of the mechanism used to draw from the fund, shall be in accordance with Part I.

RULE 5. SOCIAL PROGRAMS. These rules are not intended to limit or conflict with the Rules for Telecommunications Relay Service for the Disabled Telephone Users (4 CCR 723-28) or the Procedures for Administering the Low Income Telephone Assistance Fund (4 CCR 723-13).

RULE 6. VARIANCE AND WAIVER. The Commission may permit variance or waiver from these rules, if not contrary to law, for good cause shown if it finds that compliance is impossible, impracticable or unreasonable.

PART I

RULE 7. PAYMENTS INTO THE COLORADO HIGH COST FUND ("CHCF").

7.1 All telecommunications providers shall be assessed a percentage responsibility for the funding of the CHCF in a fair, consistent, and competitively neutral manner.

7.2 Each telecommunications service providers shall be assessed a percentage of the total CHCF equal to the provider's percentage of the total intrastate retail revenues associated with the sale of intrastate telecommunications services which benefit from interconnection with the public switched telecommunications network.

7.3 Retail revenues are those revenues received from end users, not other telecommunications providers.

7.4 A service which interconnects with the public switched telecommunications network, such that the user of the service can access the general public, benefits from interconnection with the public switched telecommunications network.

7.5 Revenues associated with the sale of services identified in 40-15-401(1)(a), C.R.S. shall not be considered when determining a provider's assessment.

7.6 Process.

7.6.1 As part of the Annual Report filed pursuant to 4 CCR 723-1, Rule 25, each telecommunications service provider shall file with the Administrator an audited accounting of the provider's retail revenues associated with the sale of intrastate telecommunications services which benefit from interconnection with the public switched telecommunications network for the previous calendar year.

7.6.2 The Administrator shall determine the annual assessment percentage appropriate for each telecommunications provider before the first day of each fiscal year.

7.6.3 The Administrator may increase each assessment in an amount necessary to mitigate against uncollectible assessments. Such increase shall not exceed 5% of each monthly assessment.

7.6.4 Monthly, the Administrator shall send each provider a notice of the provider's net assessment (assessment less disbursement). Each provider so notified shall remit, if applicable, the monthly net assessment to the Administrator within a period of time designated by the Administrator.

7.7 A provider of a service regulated pursuant to Title 40, Article 15, Part 4 C.R.S. may file an application with the Commission for approval of an alternative method of accounting for the revenues associated with the sale of that service. The Commission may grant such application for disparate treatment if the Commission determines that such treatment is in the public interest.

7.8 A provider that fails to pay an assessment due and payable pursuant to this Rule 7, shall have its certificate revoked by the Commission after notice and opportunity for hearing.

RULE 8. ELIGIBILITY TO RECEIVE SUPPORT FROM THE COLORADO HIGH COST FUND (CHCF).

8.1 To receive funding from the CHCF, a provider must file an application with the Commission. To be eligible to receive funding for a relevant geographic support area, the provider must provide evidence sufficient to establish that:

8.1.1 The provider is certified by the Commission to offer basic local exchange service within the support area;

8.1.2 The provider will offer basic local exchange service, either directly or through resale, to all customers within the support area;

8.1.3 The provider has the managerial qualifications, financial resources, and technical competence to provide basic local exchange service throughout the support area regardless of the availability of facilities and notwithstanding whether there are other providers in the area;

8.1.4 The requirements of Rule 9.3 will be met; and

8.1.5 The granting of the application serves the public convenience and necessity, as defined in §§ 40-15-101, 40-15-501, and 40-15-502 C.R.S.

8.2 Fund support shall be portable between any eligible provider chosen by the end user.

8.3 A reseller may not receive support from the CHCF for customers which are served entirely through resale. Rather, the facilities-based provider shall receive any applicable support.

8.4 If a provider serves a customer via a combination of its facilities and another's unbundled facilities, the provider is eligible to receive the CHCF support for that customer.

8.5 The Commission may require that a provider be in compliance with Commission's rules applicable to the provision of basic local exchange service to be eligible to receive support from the CHCF.

8.6 An application filed pursuant to Rule 8.1 may be filed contemporaneously with an application for certification, operating authority, or alternative regulation.

8.8 Providers certified before the effective date of these rules who, on the effective date of these rules, served only rural exchanges with ten thousand or fewer access lines shall be deemed to have met the application requirements in Rules 8.1.1, 8.1.2, 8.1.3, 8.1.4, and 8.1.5 for the relevant geographic support areas within their service territories as of the effective date of these rules.

RULE 9. DISBURSEMENTS FROM THE COLORADO HIGH COST FUND (CHCF).

9.1 Each eligible provider shall receive monthly support from the CHCF based on the number of access lines served in a high cost relevant geographic support area (as designated by the Commission) multiplied by the difference between the revenues received for basic local exchange service (unless the Commission determines a benchmark price should be substituted) and a per access line proxy cost (as determined by the Commission).

9.2 Process.

9.2.1 Each month, at a date specified by the Administrator, each provider eligible to receive funding for a specific relevant geographic support area shall provide the Administrator with an accounting of the number of residential access lines and the number of business access lines that the provider served in that support area on the last day of the preceding month.

9.2.2 The Administrator shall make disbursements from the CHCF after receipt of the monthly net assessments pursuant to Rule 7.

9.3 The Commission shall ensure:

9.3.1 that no local exchange provider is receiving funds from this rule or any other source that, together with local exchange service revenues, exceeds the cost of providing local exchange service to customers of such provider; and

9.3.2 that the proxy cost associated with basic local exchange service bears no more than its reasonable share of the joint and common costs of facilities used to provide those services.

RULE 10. ADMINISTRATION. The Commission, or its designee, shall be the Administrator of the CHCF.

10.1 The reasonable expenses incurred in the administration of the fund shall be recovered from the fund.

10.2 The Administrator shall determine the assessment each telecommunications provider must pay into the fund and determine the disbursement each eligible local exchange provider may withdraw from the fund.

10.3 The Administrator shall net each provider's assessment and disbursement prior to receipt or disbursement of actual funds.

10.4 To the extent the funding received from providers exceeds the disbursements required for the CHCF and the cost of administering the CHCF, such excess, less such reserve as may be necessary for the proper administration of the fund, shall be refunded annually to contributing telecommunications service providers pro rata based on each provider's total contribution to the CHCF from the preceding year through a reduction in each provider's subsequent assessments.

10.5 The Administrator shall engage and determine the compensation for such professional and technical assistance as may, in its judgement, be necessary for the proper administration of the fund.

10.6 The Administrator shall operate on a fiscal year which runs from July 1 to June 30.

10.7 The CHCF records covering both collections and disbursements shall be audited at the end of fiscal year 1997-1998 by an independent external auditor. The costs for conducting audits shall be included in the computation of CHCF funds. Thereafter, the CHCF shall be audited in the same manner at least once every other year.

10.8 An annual report prepared by the Administrator shall be filed with the Commission by October 1 of each year. This report shall summarize the preceding year's activity and contain the following: A statement of CHCF collections and disbursements; A record of the total cost of administration of the CHCF; The most recent audit reports. A copy of the Administrator's annual report shall be provided to the Legislative audit committee and to each telecommunications service provider who contributes to the CHCF.

RULE 11. REVIEW OF THE COLORADO HIGH COST FUND. The CHCF will be evaluated and reviewed no later than July 1, 1999, and no less than every three years thereafter for the purpose of determining whether the CHCF should be eliminated or adjusted.

RULE 12. BASE RATE AREA SUBSIDIES. If there are areas within a provider's base rate area, as determined by the Commission, that are receiving subsidies, such areas may continue to receive subsidies or be eligible for funding under the CHCF after July 1, 1996, at the Commission's discretion.

PART II

RULE 13. GENERAL

13.1 The Colorado High Cost Fund (CHCF) shall be coordinated with the Federal Communications Commission (FCC) Universal Service Factor, (USF) found at 47 CFR 36.601 to 36.641 so as to guarantee the affordability of basic local telephone service.

13.2 The CHCF shall promote competition and guarantee the affordability of basic telephone service by providing assistance for three components of the cost of basic local service: 1) high loop costs, 2) high local switching costs, and 3) high exchange trunk costs.

RULE 14. CALCULATION OF AVERAGE LOOP, LOCAL SWITCHING, AND EXCHANGE TRUNK COSTS FOR FUND SUPPORT.

14.1 The averages used in calculating CHCF support will be computed on the basis of the data reported per this Rule 14 for the preceding calendar year which may be updated at the option of the small LEC pursuant to 47 CFR 36.612(a).

14.2 Each local exchange provider shall calculate and report its average unseparated loop cost per study area per working loop as prescribed by 47 CFR 36.621, and 36.622 in its Annual Report as required by Rule 25 of the Commission's Rules of Practice and Procedure (4 CCR 723-1) ("Annual Report").

14.3 The national average unseparated loop cost per working loop shall be as calculated by the National Exchange Carrier Association, as prescribed by 47 CFR 36.622(a)(1).

14.4 Each small LEC shall calculate and report in its Annual Report its unseparated investment per study area for local switching equipment (Central Office Equipment, Category 3, 47 CFR 36.125), and its average number of working loops.

14.5 Each small LEC shall calculate and report in its Annual Report its unseparated investment per study area for exchange trunk equipment [Cable and Wire Facilities, Category 2, Exchange Trunk, 47 CFR 36.155, and Category 4.12, Exchange Trunk Circuit Equipment 47 CFR 36.126(c)(2)].

14.6 The state average unseparated local switching equipment investment per working loop shall be calculated by dividing the sum of the local switching equipment investments in the state as reported pursuant to Rule 16.4 and for all LECs, except small LECs as determined by the Staff of the Commission, by the sum of the working loops in the state as reported in Rule 14.4 and for all LECs, except small LECs as determined by the Staff of the Commission. The state average unseparated exchange trunk equipment investment per working loop shall be calculated by dividing the sum of the exchange trunk equipment investments in the state as reported pursuant to Rule 14.5 and for all LECs, except small LECs as determined by the Staff of the Commission, by the sum of the working loops in the state as reported in Rule 14.4 and for all LECs, except small LECs as determined by the Staff of the Commission.

14.7 In its Annual Report each small LEC shall report to the Administrator of the fund the count for each month of access lines for that twelve month period that were subject to the surcharge of Rule 16.6.5.2 and the amounts collected. The count shall include all residential, business, concession and paystations access lines. Special access, private or dedicated circuits, and company official lines shall be excluded from the count.

14.8 In its Annual Report each small LEC shall report to the Administrator of the fund the estimated average number of working loops for the next year.

14.9 Further reporting requirements may be determined by the Commission.

RULE 15. COLORADO INTRASTATE ACCESS COSTS SHALL BE SEPARATED.

15.1 Pursuant to §40-15-108(1) C.R.S., each small LEC which provides facilities or equipment for use by interstate users or providers of telecommunications services shall separate all investments and expenses associated therewith according to applicable federal separation procedures and agreements. Prior to separating intrastate costs, each provider shall segregate its intrastate investments and expenses in accordance with the cost allocation rules at 4 CCR 723-27, Part I.

15.2 Colorado Intrastate Access Costs shall be separated from other jurisdictional costs using the separation procedures of 47 CFR 36, with the following exceptions:

15.2.1 **COMMON LINE ALLOCATION.** As provided in Rules 15.2.1.1 and 15.2.1.2, the lesser of 26.5 percent or twice the subscriber line usage (SLU) (as measured by the ratio of intrastate interexchange holding time minutes of use to total holding time minutes of use applicable to traffic originating and terminating in the study area, as defined in 47 CFR 36, shall be allocated to Colorado switched access and this allocation factor shall be known as the "basic allocation factor".

15.2.2 The basic allocation factor specified in Rule 15.2.1 shall be modified by multiplying it by a weighting factor which results in the "Colorado basic allocation factor".

15.2.3 For small LECs reporting an average unseparated loop cost per working loop less than or equal to 115 percent of the national average for this cost, the weighting factor shall be: one (1).

15.2.3.1 For small LECs reporting an average unseparated loop cost per working loop in excess of 115 percent of the national average for this cost, the weighting factor shall be: 115 percent of the national average unseparated loop cost per working loop divided by the small LEC's average unseparated loop cost per working loop.

15.2.3.2 The Colorado basic allocation factor shall be used for allocating subcategory 1.3 of Exchange Line Cable and Wire facilities, Category 4.13 of Exchange Line Circuit equipment excluding Wideband, and Category 1 of Other Information Origination/Termination Equipment.

15.2.4 **LOCAL SWITCHING ALLOCATION.** Except as provided in Rule 15.2.2.1, the allocation of Category 3 of Local Switching Equipment shall follow 47 CFR 36.125 using Colorado relative dial equipment minutes of use (DEM), (which are the minutes of holding time of the originating and terminating local switching equipment, as defined in 47 CFR 36) for InterLATA and IntraLATA switched access. The Colorado DEM factors shall be weighted by a factor of 1.5.

15.2.4.1 In no event shall the sum of all the interstate and the intrastate allocation factors be greater than 0.85. If the arithmetic sum exceeds 0.85, the Intrastate allocation factor(s) shall be reduced accordingly.

RULE 16. COLORADO HIGH COST FUND. The support from the CHCF will be determined in three parts.

16.1 SUPPORT FOR HIGH LOOP COSTS.

16.1.1 The CHCF revenue requirement for high loop costs of small LECs who are not average schedule small LECs shall be the following:

16.1.1.1 For small LECs reporting an average unseparated loop cost per working loop less than or equal to 115 percent of the national average for this cost, the CHCF revenue requirement for high loop costs shall be the sum of: a) zero (0); and b) the difference between 0.265 and twice the small LEC's intrastate interexchange SLU, (if greater than zero) times the LEC's average unseparated loop cost per working loop for this cost.

16.1.1.2 For small LECs reporting an average unseparated loop cost per working loop in excess of 115 percent of the national average for this cost but not greater than 150 percent of the national average for this cost, the CHCF revenue requirement for high loop costs will be the sum of: a) the difference between the small LEC's average unseparated loop cost per working loop and 115 percent of the national average for this cost, times 0.10; and b) the difference between 0.265 and twice the small LEC's intrastate interexchange SLU, (if greater than zero) times 115 percent of the national average for this cost.

16.1.1.3 For small LECs reporting an average unseparated loop cost per working loop greater than 150 percent of the national average for this cost, the CHCF revenue requirement for high loop costs will be the sum of: a) the difference between 150 percent of the national average unseparated loop cost per working loop and 115 percent of the national average for this cost, times 0.10; and b) the difference between 0.265 and twice the small LEC's intrastate interexchange SLU, (if greater than zero) times 115 percent of the national average for this cost.

16.2. SUPPORT FOR HIGH LOCAL SWITCHING COSTS.

16.2.1 Small LECs who are not average schedule small LECs and who have been certified as providing a level of local exchange service which encompasses a community of interest standard, shall be eligible for support for high local switching costs. The CHCF revenue requirement for high local switching cost support shall be determined as follows:

16.2.1.1 For small LECs reporting an average unseparated local switching equipment investment per working loop less than or equal to the Colorado average as determined by Rule 14.6, for this investment, the CHCF revenue requirement for local switching cost support shall be zero (0).

16.2.1.2 For small LECs reporting an average unseparated local switching equipment investment per working loop in excess of the Colorado average as determined in Rule 14.6, for this investment, the revenue requirement for high local switching cost support will be calculated by creating a new service category in the separations study and apportioning the costs of the provider to this service generally following Part 36, CFR. The service category for the CHCF high local switching cost support shall be assigned a portion of Category 3 of local switching equipment investment. The percentage of Category 3 allocated to the CHCF service category shall be known as the Colorado High Local Switching Allocation Factor and shall be calculated as one minus the sum of (a) the Interstate factor(s), (b) the Intrastate factor(s) of Rule 15.2.2, and (c) the local exchange factor. The local exchange factor for each small LEC shall be calculated as the Colorado state average unseparated local switching equipment Category 3 investment per working loop as determined by Rule 14.6, for this investment, times the small LEC's local DEM percentage divided by the small LEC's average investment per working loop for this investment. In no event shall the Colorado High Local Switching Allocation Factor be less than zero. If, by the application of the formula of this Rule 16.2.1.2, the Colorado High Local Switching Allocation Factor is less than zero, the factors of Rule 16.2.1.2. (b) and (c) above shall be proportionally reduced.

16.3 SUPPORT FOR HIGH EXCHANGE TRUNK COSTS.

16.3.1 Small LECs who are not average schedule small LECs and who have been certified as providing a level of local exchange service which encompasses a community of interest standard, shall be eligible for support for high exchange trunk costs. The CHCF revenue requirement for high exchange trunk cost support shall be determined as follows:

16.3.1.1 For small LECs reporting an average unseparated exchange trunk investment per working loop less than or equal to the Colorado average as determined by Rule 14.6, for this investment, the CHCF revenue requirement for exchange trunk cost support shall be zero (0).

16.3.1.2 For small LECs reporting an average unseparated exchange trunk equipment investment per working loop in excess of the Colorado average as determined in Rule 14.6, for this investment, the revenue requirement for high exchange trunk cost support will be calculated by apportioning the costs of the small LEC to the CHCF service category, as established in Rule 14.2, of the small LEC's separations study following 47 CFR Part 36, as modified by these rules. The service category for the CHCF shall be assigned a portion of Cable and Wire Facilities, Category 2 exchange trunk 47 CFR 36.155, and a portion of Category 4.12, Exchange Trunk Circuit Equipment 47 CFR 36.126(c)(2) investment. The percentage allocated to the CHCF service category shall be calculated separately for each as one minus the sum of (a) the interstate factor(s), for exchange trunk, (b) the intrastate factor(s) for exchange trunk, and (c) the local factor for exchange trunk. The local factor for Category 2 exchange trunk of Cable and Wire Facilities, for each small LEC shall be calculated as the Colorado state average unseparated investment per working loop as determined by Rule 14.6, for this investment, times the small LEC's local relative number of minutes of use percentage divided by the small LEC's average investment per working loop for this investment. The local transport allocation factor for Category 4.12 Exchange Trunk Circuit Equipment, for each small LEC shall be calculated as the Colorado state average unseparated investment per working loop as determined by Rule 14.6, for this investment, times the small LEC's local relative number OF minutes of use percentage divided by the small LEC's average investment per working loop for this investment.

16.4 SUPPORT FOR HIGH COSTS OF AVERAGE SCHEDULE SMALL LECs.

16.4.1 Average schedule small LECs who have been certified as providing a level of local exchange service which encompasses a community of interest standard, shall be eligible for support for high costs. At such time as an average schedule small LEC requests High Cost support, the CHCF revenue requirement for high cost support for these small LECs shall be determined as follows:

16.4.1.1 The total company revenue requirement for the average schedule small LEC shall be determined.

16.4.1.2 From the revenue requirement of Rule 16.4.1.1 shall be subtracted the revenues derived from each of the following: 1) all interstate activities and USF support; 2) intrastate network access services; 3) long distance network services; 4) all miscellaneous revenues; and 5) the imputed local network services.

16.4.1.3 The imputed local network services revenues of Rule 16.4.1.2 shall be calculated, by the Administrator, as the average of the local network services revenues, 47 CFR 32.5000 through 32.5069 for all small LECs who are not average schedule small LECs, but shall not include any CHCF revenues.

16.4.2 Average schedule small LECs who have not been certified as providing a level of local exchange service which encompasses a community of interest standard, shall be partially eligible for support for high costs. The CHCF revenue requirement for high cost support for these small LECs shall be determined in accordance with Rule 16.1.1.

16.5 LOCAL NETWORK SERVICES TARIFF CAP. In no event shall the local network services revenue requirement, as defined in 47 CFR 32.5000 through 32.5069 (1992), of small LECs, who have been certified as providing a level of local exchange service which encompasses a community of interest standard, be in excess of 130 percent of the average, of such revenue requirement for local exchange providers which are not small LECs. Such excess shall be considered as a part of the small LECs CHCF revenue requirement.

Rule 16 COLORADO HIGH COST FUND ADMINISTRATION.

16.6.1 The CHCF shall be under the direction of an Administrator.

16.6.1.1 The Commission, as Administrator, shall engage and determine the compensation of such professional and technical assistance as may, in its judgment, be necessary for proper administration of the fund.

16.6.1.2 Costs of administration of the CHCF shall be borne by the CHCF as established by this rule.

16.6.1.3 Such periodic reports of the administration of the fund in such form and frequency as determined by the Commission, consistent with the need for confidentiality of proprietary information relating to the operations of the fund participants shall be made.

16.6.2 The Commission, acting as Administrator, shall determine pursuant to these rules, for each small LEC the CHCF support revenue requirement that will be effective for a period of six years beginning with the date established by order.

16.6.2.1 At any time, upon the request and proper support as part of a general rate proceeding by a small LEC, the Commission, acting as Administrator, may revise the CHCF support revenue requirement that will be effective for a period of six years beginning with the date established by order. Further, as a result of a show cause, complaint or other proceeding, the Commission, acting as Administrator, may revise the CHCF support revenue requirement that will be effective for a period of six years beginning with the date established by order.

16.6.2.2 Once established or revised, no further qualification will be required during the six-year funding period. During the funding period, the amount of CHCF support will be phased down. Funding will be fixed for the first two years at 100% of the funding level established. Following the first two 12 month periods, the support amount will decline and be phased out by year seven. The following is the phase out schedule:

YEAR 1 100%, YEAR 2 100%, YEAR 3 82.5%, YEAR 4 65%, YEAR 5 40%, YEAR 6 20%, YEAR 7 0%

16.6.2.3 The Commission may grant a small LEC's request for waiver from these rules for good cause shown, pursuant to Rule 6. Any CHCF support amount so granted shall be in the amounts and for the periods expressly approved by Commission order.

16.6.2.4 During the CHCF funding period, switched access rates for companies receiving CHCF, will be adjusted annually to reflect a sharing of access minute demand growth, which occurred during the most recent 12 month period when compared to the 12 month period immediately preceding for which billed demand data is available. The following percentages of sharing will be used:

Percentage of Annual Demand Growth (to be used in adjusting access rates)

YEAR 1 N/A, YEAR 2 75%, YEAR 3 75%, YEAR 4 75%, YEAR 5 50%, YEAR 6 50%, YEAR 7 0%

For each year of the CHCF funding period, the applicable percentage from the above table will be multiplied by the actual change (increase or decrease) in access minute demand for the most recent 12-month period as compared to the previous 12-month period immediately preceding for which billed demand data is available, to determine the access minute adjustment amount. The amount determined will be added to or subtracted from the prior 12-month period adjusted switched access minute demand to determine the current period's adjusted access minute demand. The current period's adjusted switched access demand will then be utilized to revise the switched access rate elements using the access revenue requirements for each element, from the base year rate determination. The switched access rate adjustments shall be filed with the Commission with a proposed effective date no later than 60 days following the anniversary of the effective date of the CHCF funding period.

16.6.2.5 For each average schedule small LEC, a surrogate switched access revenue requirement will be used as the "frozen switched access revenue requirement" as described in Rule 16.6.2.4. This surrogate revenue requirement will be calculated by taking the base year average schedule access rates times the base year access demand.

16.6.3 Each intrastate interexchange carrier (IXC) shall report to the Administrator of the fund by May 1st of each calendar year its interexchange switched minutes of use for the previous calendar year. "Intrastate interexchange carrier" includes intrastate interexchange carriers which are also local exchange service providers. "Switched minutes of use" shall include such services as but is not limited to: message toll service, WATS, 800 service, but would exclude traffic placed over dedicated private line facilities (i.e. special access arrangements). Further reporting methods will be determined by the Administrator of the CHCF.

16.6.4 The total fund requirements for all small LECs combined with such fund administration costs and such reserve requirements will be determined by the Administrator.

16.6.5 Funding for the CHCF will be accomplished from two sources.

16.6.5.1 One-half of the fund requirement as determined pursuant to rule shall be funded by a bulk bill to each intrastate IXC. CHCF payments will be based upon the percentage relationship of each IXC's appropriate minutes of use for all intrastate interexchange switched services.

16.6.5.2 One-half of the fund requirement as determined pursuant to rule shall be funded by a uniform charge per access line. CHCF payments will be based upon the percentage relationship of each LEC's working loops.

16.6.6 The Commission after determining the fund requirements, shall by appropriate order, impose the uniform charge on each access line, and shall establish the bulk bill amount of each IXC. The Commission, as Administrator, shall endeavor to issue such orders so that the amounts and uniform charge can be adjusted, if necessary, effective July 1 of each year.

RULE 17. COLORADO INTRASTATE ACCESS CHARGE ELEMENTS.

17.1 The rate elements contained in the access tariffs of small LECs who are not average schedule small LECs, shall be based upon an application of 47 CFR, part 69.1 to 69.502, to the intrastate access revenue requirement of the small LEC.

17.2 The intrastate access charge elements in the tariffs of average schedule small LECs shall be set at the average, as determined by the Administrator, of the access rate elements of the small LECs who are not average schedule LECs which exists at the time that the average schedule Small LEC's tariff rate elements are established. Average schedule small lecs are not required to modify their access charge elements each time the administrator redetermines the average of the access charge elements, but each shall comply with the provisions of rule 16.6.2. When modified access charge elements are to be established, through request by the LEC, show cause, complaint or other proceeding, the access charge elements shall set at the then-current average.

RULE 18. INCORPORATION BY REFERENCE. References in these rules to Parts 32, 36, 64, and 69 and Federal Communications Commission CC Docket 86-111, are rules issued by the FCC and have been incorporated by reference in these rules. These rules may be found at 47 CFR Parts 32, 36, 64, and 69, revised as of October 1, 1993. References to Parts 32, 36, 64, and 69 do not include later amendments to or editions of those parts. A certified copy of these parts which have been incorporated by reference are maintained at the Public Utilities Commission, 1580 Logan Street, OL-2, Denver, Colorado 80203 and may be obtained through the Executive Secretary during normal business hours. Certified copies shall be provided at cost upon request.

ATTACHMENT B - STAFF/OCC PROPOSED TASKFORCE MARCH 1, 1996

The Commission, through order, should establish a taskforce to consider the remaining issues associated with the CHCF. Specifically, the taskforce should consider (and make one or more recommendations on):

- (a) the size of the relevant geographic support areas;
- (b) a mechanism to determine if a particular relevant geographic support area is high cost;
- (c) a non-proprietary benchmark cost model to approximate the level of cost in a particular relevant geographic support area;
- (d) a mechanism to reflect an appropriate decrease in the provider-specific subsidy over time to reflect (1) increases in technology, productivity, and efficiency and (2) depreciation of plant and equipment;
- (e) a mechanism to ensure support portability;
- (f) a mechanism to account for the presence of, and potential removal of, internal subsidies;
- (g) if a benchmark price is appropriate and, if so, what the benchmark price should be;
- (h) funding for unserved customers; and,
- (i) a mechanism for the Commission to monitor the goals of universal service.

The taskforce should be chaired by the Staff of the Commission. Voting members should be specifically designated and include, at a minimum, Staff, OCC, USWC, CITA, AT&T, MCI, and TCI. Other parties should be granted voting membership upon request. Taskforce meetings should be open to the public.

The taskforce should provide an initial report to the Commission on or before November 30, 1996. The taskforce should have a final report to the Commission in sufficient time to allow the Commission to complete a rulemaking process before July 1, 1997. The taskforce may break into one or more sub-committees to accomplish its objectives.

ATTACHMENT C - STAFF/OCC PROPOSED POLR RULES MARCH 1, 1996

RULE 1. BASIS, PURPOSE, AND STATUTORY AUTHORITY.

The basis and purpose of these rules are to establish regulations concerning the designation of providers of last resort and the obligations that attach with such a designation. These rules also establish regulations concerning the designation of providers eligible to receive federal universal service assistance.

These rules are clear and simple and can be understood by persons expected to comply with them. They do not conflict with any other provision of law. There are no duplicating or overlapping rules.

These rules are issued pursuant to §§ 40-15-502(6) and 40-2-108, C.R.S..

RULE 2. APPLICABILITY. These rules are applicable to all telecommunications Providers designated as a Provider of Last Resort or Eligible Telecommunications Carrier, seeking to be designated as a Provider of Last Resort or Eligible Telecommunications Carrier, or seeking to remove a designation as a Provider of Last Resort or Eligible Telecommunications Carrier.

RULE 3. DEFINITIONS. The meaning of terms used within these rules shall be consistent with their general usage in the telecommunications industry unless specifically defined by Colorado statute or this rule. As used in these rules, unless the context indicates otherwise, the following definitions shall apply:

3.1 Eligible telecommunications carrier (ETC) means a Commission-designated provider that is authorized to receive federal universal service support.

3.2 Common carrier means a telecommunications provider who offers basic local exchange service to the public on a nondiscriminatory basis.

3.3 Provider of last resort (POLR) means a Commission-designated provider that carries the responsibility to offer basic local exchange service to all consumers who request it within a relevant geographic area.

3.4 Rural telecommunications provider means a telecommunications provider which: (1) serves only rural exchanges of ten thousand or fewer access lines; (2) provides common carrier service to any local exchange carrier study area that does not include either (a) any incorporated place of 10,000 inhabitants or more, or any part thereof, based on the most recently available population statistics of the Bureau of the Census; (b) any territory, incorporated or unincorporated, included in an urbanized area, as defined by the Bureau of the Census as of August 10, 1993; (3) provides telephone exchange service, including exchange access, to fewer than 50,000 access lines; (4) provides telephone exchange service to any local exchange carrier study area with fewer than 100,000 access lines; or (5) has less than 15 percent of its access lines in communities of more than 50,000 on February 8, 1996.

RULE 4. DESIGNATION OF PROVIDERS OF LAST RESORT ("POLR").

4.1 Telecommunications service providers who were offering basic local exchange service in an authorized geographic area on or before the effective date of these rules shall be considered a POLR in those geographic areas.

4.2 Upon request and consistent with the public interest the Commission may, in the case of an area served by a rural telecommunications provider, and shall, in the case of all other areas, designate more than one POLR.

4.3 The Commission may, upon request by a person within an unserved area, designate a POLR for such unserved area, or a portion thereof, upon a determination of the provider best able to provide basic local exchange service to the area, or portion thereof.

RULE 5. APPLICATION FOR DESIGNATION AS AN ADDITIONAL PROVIDER OF LAST RESORT ("POLR").

5.1 Telecommunications providers seeking designation as a Provider of Last Resort shall file an application with the Commission requesting designation as a POLR for a specific geographic area.

5.2 In order to receive a POLR designation for a relevant geographic area, an authorized telecommunications service provider of basic local exchange service must accept the responsibilities identified in Rule 6; must demonstrate that it has the managerial, financial and technical ability to provide basic local exchange service throughout that relevant geographic area notwithstanding whether there are other providers in that area; and establish that the POLR designation for that relevant geographic area serves the public interest by demonstrating that the designation is consistent with the legislative statements of intent in §§ 40-15-101, 40-15-501 and 40-15-502(7), C.R.S..

RULE 6. OBLIGATIONS OF PROVIDERS OF LAST RESORT ("POLR").

6.1 A POLR has the obligation to offer basic local exchange service to every customer who request such service within a designated geographic area, regardless of the availability of facilities.

6.2 A POLR shall be a common carrier.

6.3 A POLR has the obligation to advertise the availability of such service and the charges therefor using media of general distribution.

6.3.1 At a minimum, a POLR must have customer guide pages in the "White Pages" Directory within the POLR's geographic area. Such customer guide pages shall indicate that the provider will offer basic local exchange service to all who request such service within that area.

6.3.2 The Commission may order additional requirements.

RULE 7. REMOVAL OF PROVIDER OF LAST RESORT ("POLR") DESIGNATION.

7.1 When there are multiple POLRs in a geographic area, a POLR may apply to the Commission for permission to remove its POLR designation.

7.2 When a POLR proposes to discontinue the provision of basic local exchange service or discontinue its POLR designation, it shall file with the Commission, at least 30 days before the effective date of the proposed discontinuance, an application containing a complete explanation of the proposed discontinuance.

7.3 If the POLR proposes to discontinue the provision of basic local exchange service, the POLR shall file a plan for transition of its customers to another provider.

7.3.1 The transition plan filed by the POLR shall include sufficient notice to permit the purchase or construction of adequate facilities by a remaining POLR or other provider to serve the affected customers.

7.3.2 The Commission shall establish a time, not to exceed one year after the approval of the discontinuance, within which such purchase or construction shall be completed.

7.3.3 During this transition period, the POLR must ensure that customers do not experience a break in service as a result of the POLR discontinuing service.

7.4 Notice to Customers. In addition to filing an application with the Commission, the POLR shall prepare a written notice stating the proposed discontinuance, and its proposed effective date, and shall mail or deliver the notice at least 30 days before the effective date to all presently served customer or subscribers, including all interconnecting telecommunications providers. The POLR shall separately provide notice to all potentially affected customers through publication for four consecutive weeks in a publication or publications which are distributed in the certificated area affected. A notice shall be mailed to the Board of County Commissioners of each affected county, and to the Mayor of each affected city, town or municipality.

7.4.1 Form of Notice. The notice required by Rule 7.4 above shall contain the information in Form A.

7.4.2 Proof of Public Notice. Within 15 days before the date of the proposed discontinuance, the POLR shall file with the Commission a written affidavit stating its compliance with this rule. The affidavit shall state the date notice was completed and the method used to give notice. A copy of the notice shall accompany the affidavit.

7.5 The Commission shall set the application for hearing in the community of interest as designated by the Commission on a case-by-case basis, except that no hearing needs to be held if no objection, protest or intervention is filed.

7.6 No proposed discontinuance shall be effective until a Commission order approving it has been entered.

7.7 The above rules shall also apply to a POLR who applies only to discontinue its POLR designation without discontinuing the provision of basic local exchange service in the area affected.

RULE 8. ELIGIBLE TELECOMMUNICATIONS CARRIER DESIGNATION.

8.1 A provider designated by the Commission as a Provider of Last Resort shall be deemed an Eligible Telecommunications Carrier.

8.2 In addition to offering basic local exchange service, an Eligible Telecommunications Carrier must offer any additional services that are supported by the federal universal service support mechanisms.

RULE 9. VARIANCE AND WAIVER. The Commission may permit variance or waiver from these rules, if not contrary to law, for good cause shown if it finds that compliance is impossible, impracticable or unreasonable.

FORM A - Notice of a discontinuance or curtailment of basic local exchange service by a POLR or discontinuance of POLR designation

NOTICE OF INAME OF PROVIDER'S INTENT TO [STOP OFFERING BASIC LOCAL TELEPHONE SERVICE IN YOUR AREA or REMOVE PROVIDER OF LAST RESORT DESIGNATION]

[Name of provider] has asked the Colorado Public Utilities Commission (PUC) for approval to [stop offering basic local telephone service or remove its provider of last resort designation] in your area effective on [date]. [Name of provider] proposes to [stop offering local telephone service or remove its provider of last resort designation] in your area as follows: [provide details of proposal here including the list of alternative providers].

Anyone may object to this proposal by sending a letter to the Colorado Public Utilities Commission, 1580 Logan St., OL2, Denver, CO 80203. You may also object to this proposal by calling the PUC at [phone numbers].

Your written objection by itself does not allow you to participate as a party in any proceeding before the PUC on this proposal. If you want to actively participate as a party to any proceeding, you must submit a written request to the PUC at the above address at least 10 calendar days before the proposed effective date of [date]. Your written request to intervene must follow Rules 20, 21, and 22 of the Commission's Rules of Practice and Procedure and any other rules that apply. You can request a copy of these rules from the Commission.

The PUC may hold hearings on [name of provider]'s proposed actions. If the Commission holds hearings, it will decide what actions, if any, are allowed. Members of the public may attend any hearing and make a statement under oath about the proposed action even if they did not submit a written objection or intervention.

If you want to know if and when hearings are held, please submit a written request to the PUC at the above address. Your written request for hearing notice must be submitted to the PUC at least 10 calendar days before the proposed effective date of [date].

Please be assured that basic local telephone service will still be available to you whatever the outcome of [name of provider]'s requested action. If [name of provider]'s request to stop offering local telephone service is granted, another telephone company will offer service to you. by: [name, title and address of officer]

Colorado Revised Statutes TITLE 40 PUBLIC UTILITIES**40-15-109. Assurance of interconnections - averaging of rates.**

(1) If a local exchange provider does not have interconnection with an interexchange provider, the commission may order any provider of interexchange service in the state to interconnect with the local exchange provider. Nothing in this subsection (1) shall require a local exchange provider with less than fifty thousand lines to provide interexchange telecommunications service.

(2) All providers of interexchange voice grade telecommunications service shall average their interexchange voice grade rates on a statewide basis. Nothing in this section shall be construed to prohibit volume discounts or other discounts in promotional offerings.

(3) The commission may provide for just and equitable compensation upon application of an interexchange provider subject to subsection (1) or (2) of this section.

RULES PRESCRIBING THE PROVISION OF EMERGENCY 9-1-1 SERVICES FOR EMERGENCY TELECOMMUNICATIONS SERVICE PROVIDERS, BASIC LOCAL EXCHANGE CARRIERS 4 CCR 723-29

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RULES PRESCRIBING THE PROVISION OF EMERGENCY REPORTING SERVICES FOR EMERGENCY TELECOMMUNICATIONS SERVICE PROVIDERS AND TELEPHONE UTILITIES 4 CCR 723-29

BASIS, PURPOSE, AND STATUTORY AUTHORITY The basis and purpose of these rules is to provide regulations governing the provision of basic emergency service in Colorado. Basic emergency service allows citizens to use the basic local exchange telecommunications network to dial the three-digit number 9-1-1 to report emergency situations to the police department, fire department, medical personnel, or other authority. The 9-1-1 and enhanced 9-1-1 (E 9-1-1) emergency reporting system is an important public service. Competitive basic local exchange providers, resellers, and basic emergency service providers must provide access to E 9-1-1 service at affordable rates and ensure that the quality of E 9-1-1 service is maintained. These rules describe the components required to provide emergency 9-1-1 and E 9-1-1 service, establish procedures to certify basic emergency service providers, and promote availability of 9-1-1 service to local governments at affordable rates throughout Colorado. The statutory authority for these rules is found at Sections 40-2-108, 40-15-201, and 40-15-503(2)(b)(IV). Specifically, §40-2-108, C.R.S. provides that, "The Commission shall promulgate such rules and regulations as are necessary for the proper administration and enforcement of this title..." Further, §40-15-201, C.R.S. provides that, "The Commission may promulgate such rules and regulations as are necessary for the purpose of implementing the provisions of this part 2." Basic emergency service is a part 2 service. (See § 40-15-201(2)(b), C.R.S.) Finally, §40-15-503(2)(b)(IV), C.R.S. requires the Commission to adopt rules that govern, and establish methods of paying for, without limitation, access to emergency 9-1-1 service once basic local exchange telecommunications markets are open to competition.

RULE 1. APPLICABILITY. Rules 1 through 16 apply to all basic local exchange carriers and basic emergency service providers. The components of basic emergency service include, but are not limited to, connections between the central office switch that provides the local dial tone connection to a subscriber placing a 9-1-1 call, and the basic emergency service provider. The basic emergency service provider then provides, through its own facilities, through facilities obtained from a basic local exchange carrier or other network service provider, the facilities to deliver 9-1-1 calls to a governing body for distribution to the PSAP, public agency, or other designated authority for responding to 9-1-1 calls originated from a designated geographic area. Basic emergency service may be provided via features and functions within the same telephone company switch that provides the dial tone. Basic emergency service does not include components for the provision of basic local exchange services and equipment furnished to and utilized at the governing body's location. Connections between the basic local exchange carrier network and the basic emergency service provider's system may include common components utilized in the provision of Basic Local Exchange service.

RULE 2. DEFINITIONS AND SERVICE DESCRIPTIONS.

2.1 General Definitions: Terms used within these rules shall be considered as they are generally understood and used in the telecommunications industry unless specifically defined under this Rule 2.

2.1.1 9-1-1: A three-digit telephone number used to report an emergency situation requiring a response by a public agency such as a fire department or police department.

2.1.2 9-1-1 Failure or Outage: A situation in which 9-1-1 calls cannot be transported from the end user to the Public Safety Answering Point ("PSAP") responsible for answering the 9-1-1 emergency calls.

2.1.3 Automatic Location Identification ("ALI"): The automatic display, on equipment at the PSAP, of the location of the caller's telephone number, the address for the telephone, including non-listed and non-published numbers and addresses, and other information about the caller's location.

2.1.4 ALI Database Provider: Any person who, on a for-profit or not-for-profit basis, provides ALI to the basic emergency services provider and the governing body for a specific geographic area.

2.1.5 Automatic Number Identification ("ANI"): The process used on customer-dialed calls to automatically identify the calling station.

2.1.6 Basic Emergency Service: A Part 2 telecommunications service (§ 40-15-201(2)(b), C.R.S.) permitting the use of the basic local exchange network and the three-digit number 9-1-1 for reporting police, fire, medical, or other emergency situations to a PSAP and referral to a public agency. Basic emergency service does not include discretionary equipment purchased by, or contracted for, governing bodies but not essential to the provision of 9-1-1 or E 9-1-1 service.

2.1.7 Basic Emergency Service Provider ("BESP"): Any person certificated by the Commission pursuant to Rule 3 of this Rule, to aggregate and transport 9-1-1 calls from the basic local exchange carrier to a governing body.

2.1.8 Basic Local Exchange Carrier: Any person holding a Certificate of Public Convenience and Necessity issued pursuant to the Rules Regulating the Authority to Offer Local Exchange Telecommunications Services of the Commission to provide basic local exchange service whether as a facility-based carrier or as a reseller.

2.1.9 Basic Local Exchange Service or Basic Service: The telecommunications service that provides a local dial tone line and local usage necessary to place or receive a call within an exchange area and any other services or features that may be added by the Commission under § 40-15-502(2), C.R.S., and as defined in the Commission's Rules Regulating Telecommunications Service Providers and Telephone Utilities found at 4 CCR 723-2.

2.1.10 E 9-1-1 Features: The ANI, ALI database and selective routing capabilities and all other components of an E 9-1-1 system, not including the transport and switching facilities.

2.1.11 E 9-1-1 Facilities: The facilities provided by the basic emergency service provider that interconnect to the certificated basic local exchange carriers, that are used to transport 9-1-1 calls to the PSAP. The facilities may include the use of 9-1-1 tandem switches or direct trunking of 9-1-1 calls to the PSAPs.

2.1.12 E 9-1-1 Tandem: The switch that receives E 9-1-1 calls from the originating local exchange central offices, employs the ANI information associated with such calls from the originating central office, determines the correct destination of the call, and forwards the call and the ANI information to that destination.

2.1.13 E 9-1-1 Trunks: The facilities that connect from the central office serving the individual telephone that originates a 9-1-1 call to the E 9-1-1 tandem and connect the tandem to the PSAP. These may include, but are not limited to point-to-point private line facilities. Common or shared facilities also may be used subject to the provisions of these rules.

2.1.14 Emergency Telephone Service: A telephone system using the three-digit number 9-1-1 to report police, fire, medical or other emergency situations.